DEWAN'S ADDRESS TO THE REPRESENTATIVE ASSEMBLY.

APRIL SESSION.

1919.

GENTLEMEN,

It is my privilege to welcome you in the name of His Highness the Maharaja to this supplementary session of the Representative Assembly for the current official year, being the third of its kind since His Highness was graciously pleased to issue the Rescript in October 1916, sanctioning the holding of a Second Session every year.

As you are aware, one of the principal items of work of the session is the consideration of the State budget. The last annual session of this Assembly had to be abruptly terminated owing to the very depressing circumstances under which we then met, and the business of that session has therefore been held over for being taken up as far as possible, at this supplementary session. As we have a very heavy programme of work to get through, I do not propose, in addressing you on this occasion, to take up much of your time in dealing with the general administration, but I shall confine myself chiefly to the State's finances.

THE WAR.

Since we last met, the conflict of nations which had disturbed the peace of the world for more than four years, ended in a succession of decisive victories by the allied armies, and armistice was declared on November 11, 1918. The belligerent nations are now engaged in discussing the terms of peace, a task of a magnitude and importance unprecedented in history. Both the Feudatory States and British India have had the unique honor conferred upon them of selecting representatives to the Peace Conference. Let us hope, with the rest of the world, that the peace treaty will be signed soon, and that the broad principles of justice and humanity, as well as self-determination of nations, will be re-established on more solid foundations than before, to the lasting guarantee of harmony and concord throughout the world.

The contribution of Mysore towards the cost of the war, besides the investment of 65 lakhs of State's balances in the first and second war loans, has since been increased to 74 lakhs. Our Imperial Service Lancers and Imperial Service Transport Corps continued to fight to the end. The former regiment played a gallant part in a glorious victory achieved in one of the encounters a few days before the armistice was declared, at which, unfortunately there were heavy casualties amongst our men. It would be, I am sure, gratifying news to you to learn that the Imperial Service Lancers have been selected by the Imperial Government as a part of the army of occupation in Palestine. This, over and above the several distinctions already won, is proof—if further proof were needed—of the splendid achievements of our troops at the front.

The General Situation.

The widespread distress as well as loss of life caused by the last severe outbreak of influenza throughout the State is within the vivid memory of all the members of this Assembly. It must be admitted that the ravages of the disease caught us all unawares and unprepared, and it took us some little time before the organization of relief measures could be effectively set to work. The percentage of mortality to the total population was as much as 2·9 and it is estimated that we lost 166,000 souls through this epidemic. The Government spent Rs. 81,000 in relief measures, and it has been brought home to them more than ever before, that an effective organization for medical relief, prevention of epidemics and improvement of sanitation, and public health both in towns and rural areas, is necessary and urgent. To this end Government are ready to take actual steps as soon as the report of the Committee appointed in G. O. No. G. 17729-35-Med. 70-18-1, dated 18th February 1919 and now sitting is received.

Seasonal Conditions and Food Situation.

The seasonal conditions have continued to cause grave anxiety almost from month to month during the past whole year. The Mysore plateau is a country which never ceases to give anxiety. In the Memorandum on the Finances of Mysore, written by Sir K. Sheshadri Iyer in 1884, he said—

"The history of rainfall records failures more or less general, yielding to the raiyat but very average returns for the labor and capital expended on the soil. He is dependent for an average crop upon both the south-west and north-east monsoons, and either the one or the other

is apt to be scanty in some part or other of the Province in almost every year. In Mysore, therefore, every year is one of anxiety both for the Government and for the cultivator."

Both the south-west and north-east monsoons of 1918 were total failures. There was an appreciable shrinkage in the total cultivated area of the chief food crops in the State; the prices continued to rise higher and higher and the deficiency of food-supply began to be felt more keenly than ever necessitating Government control over the stocks, their distribution and the fixing of maximum prices. I have, already, at the last meeting of the Legislative Council, given a full account of the measures that have been taken from time to time to deal with the situation, which, I hope, is available to the members of this Assembly, as I have since ordered that a Kannada translation of the same should be published. I have reason to believe that the measures now being taken to relieve distress and to supply food to the people will help considerably to tide over the situation till the next rains. I sincerely hope that the inducements offered to grow food corps under the Marikanve and Kannambadi channels and in the tank beds, will be largely availed of by the raiyats, and the facilities afforded to buy seed grains and manure under the liberal system of advances recently sanctioned, and the remission of wet assessment for waste lands and total failure of crops, will help them appreciably in the present adverse season.

The Financial Settlement.

The State budget consisting of the usual financial statements has already been circulated to you by the Financial Secretary. It is prepared on the lines recommended by Mr. Datta, and is based on his scheme of Financial Settlement. Certain variations in the figures presented to you in these statements require a few words of explanation. In taking you over these figures as rapidly as possible, I shall attempt to summarise a few general principles that underlie the present financial administration of the State.

A new system of classification of the major budget heads was introduced under Mr. Datta's scheme so as to bring out clearly what proportion of the resources of the State was being spent for different purposes such as Moral and Material Development, Civil Administration, Protection, etc.; extraordinary receipts and extraordinary expenditure are being shown separately and all capital

expenditure is shown outside the revenue account, so as not to affect the surplus of the year. Then again, under the scheme of Financial Settlement brought into effect from the beginning of 1917-18, for a period of three years and which, therefore, will remain in force during the next budget year 1919-20, a standard of normal revenue and expenditure of the State under each head is to be arrived at, with a view to determine normal surplus of the revenue over the expenditure; certain reserves are to be provided for safe-guarding the financial stability of the State, and specific amounts have to be allotted after the reserves are thus provided from the net surplus to the different departments for improving their efficiency and for providing for the moral and material prosperity of the people.

Under the scheme of departmental settlements, the share allotted to the different departments out of the growth of revenue, if unspent in the course of the year, does not lapse but becomes available for expenditure in uture years. You will thus see that the revenue account is charged off each year under a special head, "Unspent allotments added to departmental balances," and similarly, expenditure met from departmental balances has a heading on the expenditure side and charged off to the accumulated balances; so that unspent allotment or expenditure made out from past balances will not affect the revenue surplus or deficit of the year concerned. Mr. Datta, in estimating a standard of revenue and expenditure, took into account the figures for three years ending 1908-09, three years ending 1916-17 and the budget for 1917-18, and arrived at a standard of Rs. 249,72 under receipts, Rs. 199,38 under expenditure, and a standard surplus of Rs. 50,34. He proposed an addition to the famine reserve to the extent of 4,30, reserve for interest and sinking fund on capital expenditure at 11, contribution for capitalization fund for the mining revenue at 11,62, additional allotment for re-organizations and development at 11 and normal surplus 4,92, leaving an unallotted surplus of 7½ lakhs.

It was more or less on this basis that the Financial Settlement scheme was drawn up. In the actual working of the scheme, however, some difficulty has been experienced in adhering strictly to the rules of that settlement. The whole question will have to be re-considered in the course of the next year and a revised Financial Settlement will have to be framed if necessary. But for the present, it is sufficient to note that the standards during the past year and the current, of revenue, expenditure and surplus have been greatly exceeded and in the budget year there are even more striking variations to

be noticed, thereby showing a fairly healthy growth of our resources and a proportionately larger increase of expenditure.

Growth of Revenue and Expenditure.

To show, the growth of revenue and the increase of expenditure during the past ten years, I give you the following figures re-arranged according to the principle of re-classification explained above.

Year	Receipts	Expenditure	Surplus + or —Deficit
1908-09	193,14	190,96	+ 218
1909-10	215,56	190,03	+2553
1910-11	223,66	194,95	+2871
1911-12	226,44	198,36	+2808
1912-13	251,08	197,18	+5390
1913-14	260,16	208,33	+5183
1914-15	248,27	214,92	+3335
1915-16	268,21	219,50	+4871
1916-17	290,75	266,68	+2407
1917-18	305,79	304,00	+ 179

A hurried retrospect during the past six years shows that the receipts have gone up from 251,08, to 305,79, that is, 55 lakhs and the expenditure from 197,18 to 304,00 that is, 107 lakhs. The expenditure of 304,00 includes a sum of 55·26 on account of contributions to Departments and Reserves not actually spent in the year. Making allowance for this, the actual expenditure was only 248,74 which means a growth of 51½ lakhs. It will be seen that the increase in expenditure was well within the growth of revenue.

Details for the sum of 55,26 are as follow:—

1. Mining Capitalisation Fund and interest thereon ...	9,09
2. Net contribution to Interest Reserve ...	2,98
3. Increased provision for Sinking Fund	2,00
4. Increased provision for Famine Reserve and Interest thereon	4,30
5. Irrigation Capital Reserve	5,00
6. Special Reserve for Non-Recurring Expenditure ...	5,52
7. Allotments to Departments for future expenditure...	26,37
Total ...	55,26

Besides, owing to increased activities in several directions, the establishment charges alone have risen from 1912-13 in five years by 14 lakhs per annum and since up to the current year by 11 lakhs. Education expenditure has increased from 11 lakhs in 1912-13 to 26 lakhs in 1916-17 and in the current year, it is expected to rise further to 36,30. Public Works expenditure has increased from 24,66 in 1912-13 to 34,20 in 1917-18 and is expected further to rise to 42,21 in the current year. The figure for 1917-18 and the current year include a

contribution of 5 lakhs on account of irrigation capital reserve. The capital expenditure not charged to revenue has increased from 18,61 in 1912-13 to 49 lakhs in 1916-17, 41 in 1917-18 and in the current year it is expected to be 58 lakhs.

It was Mr. Datta who advised Government in 1919 that optional and obligatory expenditure should be separated. He said :—

"It should be seen how far the growth of both obligatory and optional expenditure was justified, and what steps should be taken to keep down expenditure without affecting the efficiency of the administration, and then to frame an approximate estimate of the probable rate of growth of the obligatory and optional expenditure under each head in future. The growth of the charges for salaries and establishment should be carefully examined and it should be considered whether the growth is justified by the needs of the administration."

In his opinion, the State should satisfy itself that its normal revenue would yield a surplus sufficient to meet not only the charges for interest on the capital expenditure during construction of work, but also to meet the deficiency in the net earnings for some years. He further advised a detailed examination of the financial position which has not yet been undertaken, and which I propose to make before the budget that is now placed before you is finally passed. I do not wish to trouble you therefore, at this stage, with all the intricacies of finance in this Address, but would indicate generally the lines on which our financial policy should be shaped in the future. Mr. Datta in reviewing the State's assets and liabilities, calculated that on the 30th June 1916, that is, about three years ago, the State had succeeded in creating assets equal to the gross income of the State for nearly two years, after making provision for the two loans which it has raised in order to create a part only of these valuable assets, and his view was that the administration can be justly proud of the results achieved. He, however, sounded a note of warning about the present scale of expenditure chargeable to revenue; He said—

"I am, however, not quite so sure about the present scale of the expenditure chargeable to revenue. Such expenditure appears to have grown at a tremendous rate during the last five years and I am unable to say at present how far this has been justified by the annual growth of its revenues or how far the additional expenditure is really conducive to the material prosperity of the State."

This warning, it is our duty to take seriously and to examine the scale of expenditure with greater care. This, I assure the Assembly, the Government propose doing almost immediately. The budget, however, has been framed on the basis of existing sanctions and commitments from which it is not possible to go back suddenly. But a careful scrutiny of the position is certainly desirable both as regards ordinary revenue and expenditure as well as capital expenditure.

Capital Expenditure.

As regards capital expenditure, you are all aware that prior to 1914-15, with few exceptions, all capital expenditure on productive works used to be included in revenue accounts. In that year, Government decided to show capital expenditure on all works except railways already opened and on the existing installations of the Cauvery Power Scheme outside revenue accounts as capital expenditure not chargeable to revenue.

Sir M. Visvesvaraya in his speech at the Representative Assembly of October 1915 urged the policy of raising loans to meet the cost of productive works. It was his forward policy that led to the investment of the accumulated surplus to the extent of nearly 1½ crores on large productive works. He said that "to construct works from loan funds would be quite in accordance with approved principles of public finance and the practice of civilised countries." He then calculated that up to the end of 1914-15, Government had invested on productive railway, irrigation and other works not less than 504 lakhs out of which only 200 were contributed by loan funds. He reiterated the principle of borrowing in 1916; and in 1917, he said—

"I am gratified to observe that this view of our financial policy has now received acceptance at the hands of the public, and suggestions for financing productive works from borrowed funds have been made by the members of this Assembly."

Mr. Datta had advised us to sell away securities as fast as possible up to 80 lakhs, to fulfil our capital programme, and his forecast was that we can provide for a capital expenditure of 60 lakhs in 1919-20 without borrowing. Our budget forecast is framed accordingly and we have provided for a capital expenditure of 90 lakhs without proposing to borrow. But we have to so adjust our finances that our annual revenue and expenditure accounts result in a sufficient surplus to meet—

(1) The growth of expenditure for expansion and development;
(2) Interest on loans;
(3) Depreciation charges;
(4) Several reserves, *e.g.*, famine, etc.

It would be a foolish policy to cut down our capital programme in respect of works already in progress or commenced. It is also incumbent on us to frame future budgets in such a manner that the normal standard surplus of 50 lakhs is guaranteed to meet the necessities of the position under the four heads specified above. I think our resources also require watching, and expenditure, a more detailed scrutiny. I hope to carefully study the whole question in all its aspects and place before you and the general public a forecast of our future financial policy for the next five years, after examining all our needs and ascertaining our assets and our liabilities, as far as possible. In preparing a correct forecast, a careful examination of the present financial position will be necessary, and this will be done with every regard for simplicity and candour. There has been no general examination of the financial position since our Financial Secretary, Mr. Chakravarti, prepared his quinquennial review for the period ending 1908-09; and previously, during Sir Sheshadri Iyer's time, it was the practice in Mysore to publish periodical memoranda on the Mysore finances, the last to be issued under his signature being the one dated March 1895. The general review of our financial position is therefore long overdue, and I propose to have a decennial review up to the end of the present official year published at an early date with a quinquennial forecast for the period ending 1925-26.

The Revised Estimates.

I will now take you through the figures of the revised estimates for the current year, and budget estimates for the coming year.

The variations are explained in detail in the Budget Memorandum.

The revised estimates of receipts for the current year is ¾ lakhs better than the budget, as a net result of large increases under some heads and decrease in others. We have lost ground under Land Revenue, Forest, Mining, Revenue, Krishnarajasagara Works and Cauvery Power Scheme, and gained under Excise, Assigned Tracts' Revenue, Railways and Sandal Oil Factory.

Under expenditure, the budget figures are exceeded, so far as General Administration, Sanitation and Civil Works are concerned. Influenza, food control, and war and grain compensation allowances are responsible for large increases. There are, however, anticipated lapses under Education, Irrigation Works charged to revenue, Agriculture and Army. The result of these estimates is a net surplus of 49,000 as against the budgetted estimate of 41,000. The next year's budget estimate of revenue shows an improvement of $5\frac{3}{4}$ lakhs as a net result of variations, increases being noticeable under Land Revenue, Forest and Excise ; also under industrial concerns which are expected to bring a net revenue of one lakh a very pleasing and hopeful feature.

Under expenditure, appreciable increases are shown under most major heads, due to rectification of existing defects or improvement scheme, *e.g.*, extension of the scheme of separation of executive and judicial functions, police reforms, extended medical aid, increased grants for education, public improvements in towns and rural areas.

The Present Financial Position.

The present financial position as disclosed from the revised estimates of the current year is that against the revenue of 299·12 lakhs there will be an expenditure of 298·63 lakhs chargeable to revenue. These estimates do not materially differ from the budget, the revenue and expenditure chargeable to revenues in the revised being more than the corresponding budget figures by 79,000 and 71,000 respectively.

Making allowance for the exceptional fall during the current year in Land Revenue and Forest, and for the specially high receipts on account of Assigned Tracts' Revenue, and providing for normal net receipts under Productive Works, we may take the normal annual receipts at 300 lakhs.

The total payments under service heads during the current year will amount to 315·63 lakhs.

After taking into account the special non-recurring expenditure during the current year of 5 lakhs under Public Works for purchasing Kumara Park and for the Mysore Guests' Palace, about $4\frac{1}{2}$ lakhs, for grain compensation allowance, war allowances and food control and supply establishments, besides special charges incurred in combating influenza epidemic, we take the normal expenditure under departmental heads and the reserve at about 306 lakhs. Out of this latter amount should be

deducted a sum of 4 lakhs being the normal provision on account of loss of interest on Capital Works which should be met out of the reserve of 9 lakhs. The net normal annual expenditure will thus be 302 lakhs. This means a deficit of 2 lakhs. In October 1915, speaking at the Assembly, Sir M. Visvesvaraya said that taking the experience of the four previous years, during which the ordinary account showed a fair balance, it is not too sanguine to expect a surplus of at least 20 lakhs in normal years in future.

Under the scheme of Financial Settlement, the whole of the normal revenues of the State is distributed amongst the several groups of spending departments and the reserves. The annual anticipated surpluses due to growth in the revenue are similarly distributed. It is therefore plain that further demands for extra expenditure can be met only as our revenue grows. The normal annual growth from the existing sources has been calculated at 6 lakhs. But this rate can be secured only under favourable conditions of seasons and trade. For rapid growth of expenditure beyond the rate thus indicated, new sources of revenue will have to be discovered.

The Budget Estimate.

For the ensuing year, we have budgetted for a revenue of Rs. 304,98,000 and for an expenditure Rs. 306,08,000 chargeable to this revenue, resulting in a deficit of 1,10,000.

This deficit 1,10 is the result of the Revenue Account after meeting from it the contributions to the various Reserves, aggregating 19,06 lakhs. Of the Revenues of the year, this amount is not estimated to be spent but added to the Reserves. The exact result of the Revenue Account is therefore a surplus of 19·06—1·10 or 17·96 lakhs. In other words, the standard of Revenue is taken in the Budget for the next year is in excess of the standard of expenditure to be met from such revenues, by 17·96 lakhs. But this excess is completely ear-marked for forming the different Reserves necessary in the interests of financial stability, and it is not therefore available for expenditure on the various services. Allowing these contributions to the Reserves, the position is one of deficit which is really therefore not a deficit as ordinarily understood.

The following are the details for the sum of 19·06 referred to above :—

1. Mining Capitalisation Fund and Interest thereon	9,23
2. Sinking Fund	3,33
3. Net Contribution to Interest Reserve... ...	2,00
4. Irrigation Capital (After meeting 50 for the Bhadra Project)	4,50

5. Special Reserve for Non-recurring Expenditure (The whole of the year's contribution of 7,45 will be spent in the year and hence no addition to Reserve or Surplus)	Nil
6. Famine Reserve. (The whole of the year's contribution to this Reserve will also be spent in the year and hence no addition to Reserve or Surplus.) ...	Nil
7. Departmental Balances ... ... (Here also the whole of the year's allotment is estimated to be spent and hence there is no addition to balance or surplus. Taking all the Departments together.)	Nil
Total ...	19,06

The net assets of the State by the end of the current year will be 639·75 lakhs and during the next year there will be a further accretion of about 4 lakhs.

The capital expenditure on productive works by the end of the current year is expected to amount to 704 lakhs and as the programme for next year is fixed at 90 lakhs the total amount invested by Government in these works by 30th June 1920 will be 794 lakhs.

Conclusion.

From the above Summary of our position I hope you will be satisfied that our Finances are in a prosperous condition although further additional expenditure from the Revenue Account will have to be very carefully examined.

It is unnecessary for me at this session to discuss matters relating to the general administration which will come up for review in the usual course at the formal annual session during Dasara next. But it is necessary to impress upon you the growing needs of the administration in all directions and the necessity for a true sense of proportion in discussing all measures and schemes requiring additional expenditure, so that the steady progress and improvement that has been the marked feature of the administration of Mysore in the past, may continue unabated without causing Government any financial embarrassment.

We are rich in ideals and schemes, and have put our hand on the plough, started and continued in motion by successive administrations, for tilling the almost unlimited expanse of Mysore's possibilities, under the wise and benevolent guidance of His Highness the Maharaja. Consolidation of work done in the past should be our motto for sometime to come and if we succeed in keeping burning the flame of enthusiasm for progress, kindled by Sir M. Visvesvaraya and his distinguished predecessors and in showing continued and tangible results in at least some of the schemes and projects so often mentioned in the

Dewan's Addresses in this Assembly of past several years, we should deserve well of all classes amongst His Highness' subjects.

I may, state for your information that the following matters are now engaging the earnest consideration of Government and an announcement of policy will soon be made :—

1. A detailed examination of the financial position.
2. Improvement of the Mysore Civil Service.
3. Scheme of recruitment of public servants in all grades.
4. Improvement in the system of maintenance of public buildings and roads.
5. Improvement in the scheme of restoration of minor tanks.
6. General review of our education policy; consolidation of work done under all sanctioned schemes, and development programme for the next five years, of education, in all grades specially, education of the backward classes—Industrial, Technical Education, etc.
7. Improvement of the administration of the Malnad.
8. Improvement in district administration.
9. Permanent organization for the Economic Conference.
10. Improvement of medical aid and public health.
11. Representative Assembly reforms.
12. Industrial finance.

I do not wish to detain you any longer and will now request you to proceed with the work of the session, and beg of you to give me every assistance in conducting the business before us, so that we may utilize the time at our disposal to the best possible advantage.

28th April 1919. A. R. BANERJI,

WD 2177—GPB—800—15-5-19.